

CITY OF EDDYVILLE

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

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City of Eddyville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2016)</b>		
John Simmers	Mayor	January 1, 2016
Jim Durst	Council Member	January 1, 2016
Dwight Lobberecht	Council Member	January 1, 2016
Dot Maudlin	Council Member	January 1, 2018
Doug Greenlee	Council Member	January 1, 2018
Wendell Terrell	Council Member	January 1, 2018
Katie D. Smith	City Clerk/Treasurer	January 1, 2016
Greg A. Life	Attorney	January 1, 2016
<b>(After January 2016)</b>		
John Simmers	Mayor	January 1, 2018
Wade Francis	Council Member	January 1, 2020
Dwight Lobberecht	Council Member	January 1, 2020
Dot Maudlin	Council Member	January 1, 2018
Doug Greenlee	Council Member	January 1, 2018
Wendell Terrell	Council Member	January 1, 2018
Katie D. Smith	City Clerk/Treasurer	January 1, 2018
Greg A. Life	Attorney	January 1, 2018
<u>Waterworks Board</u>		
Alan Katko	Waterworks Trustee	January 1, 2018
Richard Lewman	Waterworks Trustee	January 1, 2020
Dale Vroegh	Waterworks Trustee	January 1, 2021

City of Eddyville



Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Eddyville, Iowa, (City) as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2015.

-5-

2721 SW 30<sup>th</sup> Street  
Des Moines, Iowa 50321  
Phone (515) 362-5672  
Fax (515) 362-5674

[www.FKCCpa.com](http://www.FKCCpa.com)

Joel C. Faller, CPA  
Alan Kincheloe, CPA  
Ryan Roof, CPA

[CPA@FKCCpa.com](mailto:CPA@FKCCpa.com)

1001 Office Park Road, Ste. 201  
West Des Moines, Iowa 50265  
Phone (515) 285-5546  
Fax (515) 225-7908

### Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2015, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 27 through 31 has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

  
FALLER, KINCHELOE & CO., PLC

Des Moines, Iowa  
January 27, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Eddyville (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

### 2016 FINANCIAL HIGHLIGHTS

- The cash basis net position of the City's governmental activities increased approximately \$923,000 during the fiscal year, primarily due to grant anticipation project note proceeds and note proceeds received during the year.
- The cash basis net position of the City's business type activities increased approximately \$13,000 during the fiscal year, primarily due to receipts exceeding disbursements in the Enterprise, Garbage Fund.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operation of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into the following activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sewer system and the garbage operations. These activities are financed primarily by user charges.
- The Component Unit includes the Eddyville Municipal Waterworks, which accounts for the activities of the Waterworks.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, and Local Option Sales Tax funds, 3) the Debt Service Fund, 4) the Capital Projects Fund and, 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds are a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information. The Enterprise, Sewer Fund, is considered to be a major fund of the City. The Enterprise, Garbage Fund is considered to be a non-major fund of the City.

The required financial statements for proprietary funds are a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$.69 million to approximately \$1.61 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		Year ended June 30, 2016
Receipts:		
Program receipts:		
Charges for service	\$	33
Operating grants, contributions and restricted interest		149
Capital grants, contributions and restricted interest		685
General receipts:		
Property tax		353
Local option sales tax		124
Commercial/industrial tax replacement		4
Unrestricted interest on investments		1
Rent		1
Grant anticipation project note proceeds		579
Note proceeds		800
Miscellaneous		4
Total receipts		<u>2,733</u>
Disbursements:		
Public safety		109
Public works		1,281
Culture and recreation		99
Community and economic development		33
General government		91
Debt service		100
Grant anticipation project note payment		167
Total disbursements		<u>1,880</u>
Change in cash basis net position before transfers		853
Transfers, net		<u>70</u>
Change in cash basis net position		923
Cash basis net position beginning of year		<u>689</u>
Cash basis net position end of year	\$	<u><u>1,612</u></u>

Total business type activities cash basis net position increased approximately \$13,000 from a year ago, from \$124,341 to \$137,314.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		Year ended June 30, 2016
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$	126
Garbage		62
General receipts:		
Unrestricted interest on investments		1
Total receipts		<u>189</u>
Disbursements:		
Sewer		110
Garbage		45
Total disbursements		<u>155</u>
Change in cash basis net position before transfers		34
Transfers, net		<u>(21)</u>
Change in cash basis net position		13
Cash basis net position beginning of year		<u>124</u>
Cash basis net position end of year	\$	<u><u>137</u></u>

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$1,612,069, an increase of \$922,670 above last year's total of \$689,399. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$331,456 from the prior year to \$638,601. This increase can be attributed to note proceeds received in fiscal year 2016 which were not spent by June 30, 2016.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$535,617 from the prior year to \$594,146. This increase can be attributed to \$500,000 in note proceeds received in fiscal year 2016 which were not spent by June 30, 2016.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased by \$52,129 during the fiscal year to a total of \$152,097. This increase is just due to the City receiving more in to this fund than the related disbursements from this fund.

#### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance decreased by \$3,846 to \$125,685, just due to spending more from this fund than received in fiscal year 2016.

## BUDGETARY HIGHLIGHTS

During the course of the year, the City amended its budget one time. The amendment was adopted to more closely reflect anticipated receipts and disbursements for the fiscal year.

The City's receipts were \$1,723,282 less than budgeted, primarily due to less intergovernmental receipts compared to the amount budgeted for this category.

Total disbursements were \$1,442,494 less than the budget. Actual disbursements for public works, debt service and business type activities were \$1,333,311, \$61,115 and \$78,550 respectively, less than the budget.

Even though the City did not go over budget in total, disbursements in the public safety and the community and economic development functions were \$37,915 and \$1,824 in excess of the amended budget amounts, respectively.

## DEBT ADMINISTRATION

At June 30, 2016, the City had \$1,211,805 in bonds and notes outstanding, compared to \$95,235 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2016	2015
General obligation notes	\$ 800	95
Revenue note	412	-
Total	\$ 1,212	95

Debt increased as a result of new debt issued in fiscal year 2016. This new debt was to finance future capital projects.

The amount of general obligation debt a political subdivision of the State of Iowa can incur is controlled by constitutional debt limit, which is an amount equal to 5% of the actual value of property within the corporate limits, taken from the last county tax list. The City's debt limit, based upon said valuation, amounts to the following:

Actual Value of Property, 2014	\$ 37,678,069
Debt Limit	5%
	<u>\$ 1,883,903</u>

The City's outstanding general obligation debt of \$800,000 is significantly below the constitutional debt limit of \$1,883,903.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged for various City activities.

The fiscal year 2017 budget contains total receipts of \$2,906,558 and disbursements of \$2,905,558, which is a decrease from the fiscal year 2016 budget which contained total amended receipts of \$3,380,598 and amended disbursements of \$3,405,170.

The fiscal year 2017 property tax levy is \$16.4183 per \$1,000 of taxable valuation, an increase from \$16.40364 per \$1,000 of taxable valuation for fiscal year 2016.

These parameters were taken into account when adopting the budget for fiscal year 2017.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayer, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Katie D. Smith, City Clerk, P.O. Box 518, Eddyville, Iowa 52553.

## Basic Financial Statements

## City of Eddyville

Exhibit A

## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

Functions / Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
	Disbursements	Primary Government			Primary Government			
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	
<b>Primary Government:</b>								
Governmental activities:								
Public safety	\$ 109,109	1,968	-	21,700	(85,441)	-	(85,441)	
Public works	1,280,743	-	126,545	662,136	(492,062)	-	(492,062)	
Culture and recreation	99,288	17,674	16,571	1,315	(63,728)	-	(63,728)	
Community and economic development	33,157	-	6,000	-	(27,157)	-	(27,157)	
General government	90,923	13,061	-	-	(77,862)	-	(77,862)	
Debt service	99,966	-	-	33	(99,933)	-	(99,933)	
Total governmental activities	1,713,186	32,703	149,116	685,184	(846,183)	-	(846,183)	
Business type activities:								
Sewer	110,264	126,365	-	-	-	16,101	16,101	
Garbage	44,855	61,674	-	-	-	16,819	16,819	
Total business type activities	155,119	188,039	-	-	-	32,920	32,920	
<b>Total Primary Government</b>	<b>\$ 1,868,305</b>	<b>220,742</b>	<b>149,116</b>	<b>685,184</b>	<b>(846,183)</b>	<b>32,920</b>	<b>(813,263)</b>	
<b>Component Unit:</b>								
Eddyville Municipal Waterworks	\$ 94,371	97,599	-	-				3,228
<b>Total Component Units</b>	<b>\$ 94,371</b>	<b>97,599</b>	<b>-</b>	<b>-</b>				<b>3,228</b>
<b>General Receipts and Transfers:</b>								
Property and other city tax levied for:								
General purposes					255,709	-	255,709	-
Debt service					97,198	-	97,198	-
Local option sales tax					124,429	-	124,429	-
Commercial/industrial tax replacement					4,051	-	4,051	-
Unrestricted interest on investments					1,238	815	2,053	460
Rent income					700	-	700	15,858
Grant anticipation project note proceeds					579,293	-	579,293	-
Grant anticipation project note payment					(167,488)	-	(167,488)	-
Note proceeds					800,000	-	800,000	-
Miscellaneous					3,801	-	3,801	416
Transfers					69,922	(20,762)	49,160	(49,160)
Total general receipts and transfers					1,768,853	(19,947)	1,748,906	(32,426)
Change in cash basis net position					922,670	12,973	935,643	(29,198)
Cash basis net position beginning of year					689,399	124,341	813,740	225,425
Cash basis net position end of year					\$ 1,612,069	137,314	1,749,383	196,227
<b>Cash Basis Net Position</b>								
Restricted:								
Nonexpendable:								
Cemetery perpetual care	\$ 55,245	-			55,245	-		-
Expendable:								
Streets					594,146	-	594,146	-
Debt service					11,107	-	11,107	-
Other purposes					312,970	-	312,970	-
Unrestricted					638,601	137,314	775,915	196,227
<b>Total cash basis net position</b>	<b>\$ 1,612,069</b>	<b>137,314</b>			<b>1,749,383</b>			<b>196,227</b>

See notes to financial statements.

## City of Eddyville

Exhibit B

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2016

	Special Revenue				Total
	General	Road Use Tax	Local Option Sales Tax	Nonmajor	
Receipts:					
Property tax	\$ 168,973	-	-	163,321	332,294
Other city tax	16,735	-	124,429	10,133	151,297
Licenses and permits	2,005	-	-	-	2,005
Use of money and property	1,938	-	-	43	1,981
Intergovernmental	677,777	126,545	21,700	1,982	828,004
Charges for service	12,864	-	-	-	12,864
Miscellaneous	22,661	1,820	-	1,203	25,684
Total receipts	902,953	128,365	146,129	176,682	1,354,129
Disbursements:					
Operating:					
Public safety	40,403	-	52,249	16,457	109,109
Public works	1,140,756	101,252	10,031	28,704	1,280,743
Culture and recreation	99,288	-	-	-	99,288
Community and economic development	33,157	-	-	-	33,157
General government	61,045	-	-	29,878	90,923
Debt service	-	-	-	99,966	99,966
Total disbursements	1,374,649	101,252	62,280	175,005	1,713,186
Excess (deficiency) of receipts over (under) disbursements	(471,696)	27,113	83,849	1,677	(359,057)
Other financing sources (uses):					
Grant anticipation project note proceeds	579,293	-	-	-	579,293
Grant anticipation project note payment	(167,488)	-	-	-	(167,488)
Note proceeds	300,000	500,000	-	-	800,000
Transfers in	91,347	8,504	-	1,791	101,642
Transfers out	-	-	(31,720)	-	(31,720)
Total other financing sources (uses)	803,152	508,504	(31,720)	1,791	1,281,727
Change in cash balances	331,456	535,617	52,129	3,468	922,670
Cash balances beginning of year	307,145	58,529	99,968	223,757	689,399
Cash balances end of year	\$ 638,601	594,146	152,097	227,225	1,612,069
<b>Cash Basis Fund Balances</b>					
Nonspendable:					
Cemetery perpetual care	\$ -	-	-	55,245	55,245
Restricted for:					
Streets	-	594,146	-	-	594,146
Debt service	-	-	-	11,107	11,107
Other purposes	-	-	152,097	160,873	312,970
Assigned for library	2,464	-	-	-	2,464
Unassigned	636,137	-	-	-	636,137
Total cash basis fund balances	\$ 638,601	594,146	152,097	227,225	1,612,069

See notes to financial statements.

## City of Eddyville

Exhibit C

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2016

	Enterprise		
	Nonmajor -		
	Sewer	Garbage	Total
Operating receipts:			
Use of money and property	\$ 815	-	815
Charges for service	126,365	61,674	188,039
Total operating receipts	127,180	61,674	188,854
Operating disbursements:			
Business type activities	90,229	44,855	135,084
Total operating disbursements	90,229	44,855	135,084
Excess of operating receipts over operating disbursements	36,951	16,819	53,770
Non-operating receipts (disbursements):			
Capital projects	(20,035)	-	(20,035)
Net non-operating receipts (disbursements)	(20,035)	-	(20,035)
Excess of receipts over disbursements	16,916	16,819	33,735
Other financing sources (uses):			
Transfers in	23,177	-	23,177
Transfers out	(43,939)	-	(43,939)
Total other financing sources (uses)	(20,762)	-	(20,762)
Change in cash balances	(3,846)	16,819	12,973
Cash balances beginning of year	129,531	(5,190)	124,341
Cash balances end of year	\$ 125,685	11,629	137,314
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 125,685	11,629	137,314
Total cash basis fund balances	\$ 125,685	11,629	137,314

See notes to financial statements.



# City of Eddyville

## Notes to Financial Statements

June 30, 2016

### (1) Summary of Significant Accounting Policies

The City of Eddyville (City) is a political subdivision of the State of Iowa located in Wapello, Mahaska and Monroe Counties. It was first incorporated in 1857 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general governmental services. The City also provides sewer utilities and solid waste services for its citizens.

#### A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of its operational and financial relationship with the City.

#### Discretely Presented Component Unit

The Eddyville Municipal Waterworks (Waterworks) was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council.

#### Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Wapello County Assessor's Conference Board, Area 15 Regional Planning Commission and the Eddyville Development Corporation.

#### B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the local option sales tax collections to be used for the related costs allowed to be paid for from these funds.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public safety and the community and economic development functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City Library has invested in annuities through RiverSource Life Insurance Company. These annuities are fixed income annuities, payable over 15 years, guaranteed by RiverSource Life Insurance Company. However, this guarantee is only as good as the financial viability of RiverSource Life Insurance Company. There are no fair market values of these annuities as of June 30, 2016, since these annuities are unable to be cashed out as of June 30, 2016. It does not appear that investments in annuities are allowable according to Chapters 12B and 12C of the Code of Iowa. However, the donor required that annuities were to be purchased with the funds received by the City from the donor.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Notes Payable**

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	General Obligation Notes		Total	
	Principal	Interest	Principal	Interest
2017	\$ 66,667	28,000	66,667	28,000
2018	66,667	25,666	66,667	25,666
2019	66,667	23,334	66,667	23,334
2020	66,667	21,000	66,667	21,000
2021	66,667	18,666	66,667	18,666
2022-2026	333,335	58,334	333,335	58,334
2027-2028	133,330	7,000	133,330	7,000
	<u>\$ 800,000</u>	<u>182,000</u>	<u>800,000</u>	<u>182,000</u>

Grant Anticipation Loan Agreement Project Note

The City borrowed \$579,293 from this note in fiscal year 2016. This money was borrowed in order to pay construction contractors, along with the engineer and the grant administrator. Once grant monies were received from the State of Iowa, the outstanding balance on this note is repaid. Total funds repaid on this note were \$167,488 in fiscal year 2016. The balance on this note was \$411,805 at June 30, 2016. This note matures on July 1, 2017. The maximum loan balance on this note is \$850,000. The City can borrow from, and make payments on this note as many times as needed in order to meet cash flow requirements.

(4) **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2016 were \$14,118.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$110,818 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.0022431%, which was an increase of 0.000097% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows and deferred inflows totaled \$9,345, \$21,306 and \$25,804, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28 %	2.04 %
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 194,022	110,818	40,587

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

(5) **Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 3 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members are \$1,766 for family coverage. For the year ended June 30, 2016, the City contributed \$78,275 and plan members eligible for benefits contributed \$2,689 to the plan.

(6) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, holiday and compensatory leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2016 primarily relating to the General Fund, was \$8,587. The liability has been computed based on rates of pay in effect at June 30, 2016.

(7) **Interfund Loan**

During the year ended June 30, 2015, the Enterprise, Sewer Fund loaned \$70,000 to the Special Revenue, Local Option Sales Tax Fund to purchase a vehicle. This loan will be repaid from the Special Revenue, Local Option Sales Tax Fund at \$1,975 per month. The interest rate on this loan is 1% and will be repaid over 3 years. The City repaid \$23,700 in principal and interest on this loan during the year ended June 30, 2016. The balance on this loan at June 30, 2016 was \$39,148.

(8) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 8,543
	Enterprise:	
	Sewer	43,939
		<u>52,482</u>
Enterprise:	Special Revenue:	
Sewer	Local Option Sales Tax	<u>23,177</u>
Total		<u>\$ 75,659</u>

Transfers from Component Unit

General	Enterprise:	
	Water	\$ 38,865
Special Revenue:		
Road Use Tax		8,504
Employee Benefits		<u>1,791</u>
		<u>\$ 49,160</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(9) Lease Agreements**

The Waterworks is leasing antenna space on the water tower to Iowa Wireless Services, LLC (tenant) for \$660 per month. The initial term of the lease began in February, 2008. The Waterworks received \$7,920 from the lease in fiscal year 2016, and is scheduled to receive \$660 per month from the tenant in relation to this lease until January, 2018, with four additional five year renewal options. As long as this lease is in effect, after every five years, the base rent for this lease will be increased by 10% over the previous year's base rent. Unless the tenant decides to terminate the lease, the City has to continue to lease the antenna space to the tenant until fiscal year 2038.

The Waterworks is leasing antenna space on the water tower to New Cingular Wireless PCS, LLC (tenant). The initial term of the lease began in June, 2005. The Waterworks received \$7,938 from this lease in fiscal year 2016, and is scheduled to receive \$7,938 per year from this lease until May, 2020, with three additional five year renewal options. At the next renewal option, the Waterworks is scheduled to receive \$8,335 per year from this lease. As long as this lease is in effect, after every five years, the base rent for this lease will be increased by 5% over the previous year's base rent. Unless the tenant decides to terminate the lease, the City has to continue to lease the antenna space to the tenant until fiscal year 2035.

**(10) Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$154,188 during the year ended June 30, 2016.

**(11) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's and Waterworks property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's and Waterworks contributions to the Pool for the year ended June 30, 2016 were \$13,319.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.



The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000 for each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(12) Contingency**

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

**(13) Commitments**

The City is in the process of a sewer rehabilitation program. Total construction costs remaining on this project exceeds \$1.6 million. This cost will primarily be paid for with federal grants. It is anticipated this project will be completed in fiscal year 2017.

The City has a law enforcement contract with Mahaska and Wapello Counties, with a total cost of approximately \$59,000 per year. These contracts are renewed on a year to year basis, with a 30 day cancellation notice.

Beginning July 1, 2015, the City pays \$5,101 per month to Midwest Sanitation for residential garbage services. This is a three year agreement.

As of June 30, 2016, the City can borrow an additional \$438,195 from its grant anticipation project note. Monies from this note are used as interim financing in relation to costs associated with the sewer rehabilitation program.

**(14) Subsequent Events**

The City has evaluated all subsequent events through January 27, 2017, the date the financial statements were available to be issued.

**(15) New Accounting Pronouncement**

The City adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

## Other Information

City of Eddyville

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Component Unit Actual	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
<b>Receipts:</b>							
Property tax	\$ 332,294	-	-	332,294	321,716	321,716	10,578
Other city tax	151,297	-	-	151,297	119,460	129,460	21,837
Licenses and permits	2,005	-	-	2,005	2,595	2,595	(590)
Use of money and property	1,981	815	16,318	19,114	1,800	1,800	17,314
Intergovernmental	828,004	-	-	828,004	2,140,724	2,443,987	(1,615,983)
Charges for service	12,864	188,039	97,599	298,502	345,040	382,940	(84,438)
Miscellaneous	25,684	-	416	26,100	98,100	98,100	(72,000)
<b>Total receipts</b>	<b>1,354,129</b>	<b>188,854</b>	<b>114,333</b>	<b>1,657,316</b>	<b>3,029,435</b>	<b>3,380,598</b>	<b>(1,723,282)</b>
<b>Disbursements:</b>							
Public safety	109,109	-	-	109,109	71,194	71,194	(37,915)
Public works	1,280,743	-	-	1,280,743	2,326,273	2,614,054	(1,333,311)
Culture and recreation	99,288	-	-	99,288	85,050	100,800	1,512
Community and economic development	33,157	-	-	33,157	31,333	31,333	(1,824)
General government	90,923	-	-	90,923	96,158	98,668	7,745
Debt service	99,966	-	-	99,966	94,562	161,081	61,115
Business type activities	-	155,119	94,371	249,490	328,040	328,040	78,550
<b>Total disbursements</b>	<b>1,713,186</b>	<b>155,119</b>	<b>94,371</b>	<b>1,962,676</b>	<b>3,032,610</b>	<b>3,405,170</b>	<b>1,442,494</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(359,057)</b>	<b>33,735</b>	<b>19,962</b>	<b>(305,360)</b>	<b>(3,175)</b>	<b>(24,572)</b>	<b>(280,788)</b>
<b>Other financing sources, net</b>	<b>1,281,727</b>	<b>(20,762)</b>	<b>(49,160)</b>	<b>1,211,805</b>	<b>-</b>	<b>-</b>	<b>1,211,805</b>
<b>Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses</b>	<b>922,670</b>	<b>12,973</b>	<b>(29,198)</b>	<b>906,445</b>	<b>(3,175)</b>	<b>(24,572)</b>	<b>931,017</b>
<b>Balances beginning of year</b>	<b>689,399</b>	<b>124,341</b>	<b>225,425</b>	<b>1,039,165</b>	<b>1,273,362</b>	<b>-</b>	<b>1,039,165</b>
<b>Balances end of year</b>	<b>\$ 1,612,069</b>	<b>137,314</b>	<b>196,227</b>	<b>1,945,610</b>	<b>1,270,187</b>	<b>(24,572)</b>	<b>1,970,182</b>

See accompanying independent auditor's report.

City of Eddyville

Notes to Other Information - Budgetary Reporting

June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$372,560. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public safety and the community and economic development functions.

City of Eddyville

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Two Years\*

Other Information

	2016	2015
City's proportion of the net pension liability	0.002243%	0.002340%
City's proportionate share of the net pension liability	\$ 110,820	92,805
City's covered employee payroll	\$ 153,673	153,124
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Eddyville

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Three Years\*

Other Information

	2016	2015	2014
Statutorily required contribution	\$ 14,118	13,723	13,674
Contributions in relation to the statutorily required contribution	(14,118)	(13,723)	(13,674)
Contribution deficiency (excess)	\$ -	-	-
City's covered-employee payroll	\$158,091	153,673	153,124
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%

\* - GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is readily available.

See accompanying independent auditor's report.

City of Eddyville

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

## Supplementary Information



## City of Eddyville

Schedule 1

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2016

	Special Revenue		Permanent		
	Employee		Cemetery		
	Benefits	Library	Debt Service	Perpetual	Total
Receipts:					
Property tax	\$ 71,810	-	91,511	-	163,321
Other city tax	4,446	-	5,687	-	10,133
Use of money and property	-	10	33	-	43
Intergovernmental	870	-	1,112	-	1,982
Miscellaneous	-	-	-	1,203	1,203
Total receipts	77,126	10	98,343	1,203	176,682
Disbursements:					
Operating:					
Public safety	16,457	-	-	-	16,457
Public works	28,704	-	-	-	28,704
General government	29,878	-	-	-	29,878
Debt service	-	-	99,966	-	99,966
Total disbursements	75,039	-	99,966	-	175,005
Excess (deficiency) of receipts over (under) disbursements	2,087	10	(1,623)	1,203	1,677
Other financing sources (uses):					
Transfer in	1,791	-	-	-	1,791
Total other financing sources (uses)	1,791	-	-	-	1,791
Change in cash balances	3,878	10	(1,623)	1,203	3,468
Cash balances beginning of year	6,707	150,278	12,730	54,042	223,757
Cash balances end of year	\$ 10,585	150,288	11,107	55,245	227,225
<b>Cash Basis Fund Balances</b>					
Nonspendable:					
Cemetery perpetual care	\$ -	-	-	55,245	55,245
Restricted for:					
Debt service	-	-	11,107	-	11,107
Other purposes	10,585	150,288	-	-	160,873
Total cash basis fund balances	\$ 10,585	150,288	11,107	55,245	227,225

See accompanying independent auditor's report.

City of Eddyville

Schedule 2

Schedule of Indebtedness

Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Notes:									
Street Improvement and Refunding Note	August 16, 2010	4.15%	\$ 510,000	95,235	-	95,235	-	3,952	-
Corporate Purpose Note	June 15, 2016	3.50%	800,000	-	800,000	-	800,000	-	-
Total				\$ 95,235	800,000	95,235	800,000	3,952	-
Revenue Note:									
Grant Anticipation Loan Agreement Project Note	July 1, 2015	3.00%	\$ 850,000	-	579,293	167,488	411,805	-	-

See accompanying independent auditor's report.

City of Eddyville

Schedule 3

Note Maturities

June 30, 2016

General Obligation Notes		
Corporate Purpose Note		
Issued June 15, 2015		
Year Ending June 30,	Interest Rates	Amount
2017	3.50%	\$ 66,667
2018	3.50%	66,667
2019	3.50%	66,667
2020	3.50%	66,667
2021	3.50%	66,667
2022	3.50%	66,667
2023	3.50%	66,667
2024	3.50%	66,667
2025	3.50%	66,667
2026	3.50%	66,667
2027	3.50%	66,667
2028	3.50%	66,663
		<u>\$ 800,000</u>

See accompanying independent auditor's report.

## City of Eddyville

## Schedule 4

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Year

	<u>2016</u>
Receipts:	
Property tax	\$ 332,294
Other city tax	151,297
Licenses and permits	2,005
Use of money and property	1,981
Intergovernmental	828,004
Charges for service	12,864
Miscellaneous	<u>25,684</u>
Total	<u>\$1,354,129</u>
Disbursements:	
Operating:	
Public safety	\$ 109,109
Public works	1,280,743
Culture and recreation	99,288
Community and economic development	33,157
General government	90,923
Debt service	<u>99,966</u>
Total	<u>\$1,713,186</u>

See accompanying independent auditor's report.

## City of Eddyville

Schedule 5

## Schedule of Expenditures of Federal Awards

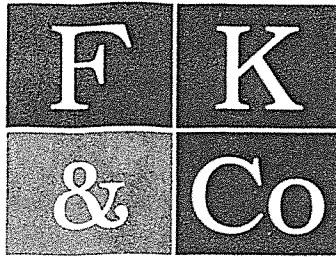
Year ended June 30, 2016

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Community Facilities Loans and Grants	10.766	-	\$ 21,700
Total - Direct			21,700
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority			
Community Development Block Grants/State's			
Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-285	43,740
		08-DRMI-001	253,201
			296,941
U.S. Department of Homeland Security			
Iowa Department of Homeland Security and			
Emergency Management:			
Hazard Mitigation Grant	97.039	DR-1928-0004-01	759,604
			759,604
Total - Indirect			1,056,545
Total			\$ 1,078,245

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Eddyville, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Eddyville.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Eddyville has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Eddyville, Iowa (City) as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 27, 2017. Our report expressed modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-16 and II-B-16 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

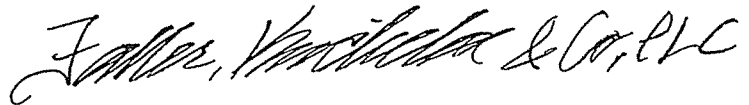
### City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

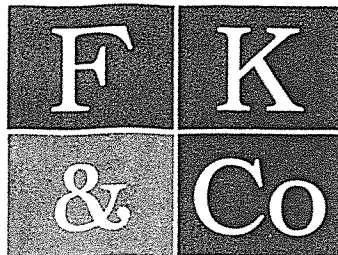
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



FALLER, KINCHELOE & CO., PLC

Des Moines, Iowa  
January 27, 2017



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Eddyville, Iowa's (City) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended June 30, 2016. The City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.



## Report on Internal Control Over Compliance

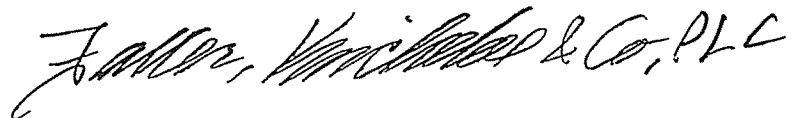
The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items III-A-16 and III-B-16 we consider to be material weaknesses.

The City's responses to the internal control over compliance findings identified in our audit are reported in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



FALLER, KINCHELOE & CO., PLC

Des Moines, Iowa  
January 27, 2017

City of Eddyville  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

**Part I: Summary of the Independent Auditor's Results:**

- (a) Modified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major program was CFDA Number 97.039 – Hazard Mitigation Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Eddyville did not qualify as a low-risk auditee.

City of Eddyville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-16 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although one individual is involved in the accounting duties of the City of Eddyville (City), there is insufficient segregation of duties to prevent one individual from having control over each of the following areas:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long-term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of City assets.
- 6) Disbursements – preparing checks, signing checks and access to the accounting records.
- 7) Petty cash – custody, reconciling and recording.
- 8) Payroll – recordkeeping, preparation and distribution.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and date of the review.

Response – The City will review their control procedures to obtain the maximum internal control possible with the limited staff they have.

Conclusion – Response acknowledged.

II-B-16 Financial Reporting – Internal controls over financial reporting include actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by an other comprehensive basis of accounting. The City does not have the internal resources to prepare the full-disclosure financial statements required by an other comprehensive basis of accounting for external reporting purposes. While this circumstance is not uncommon for most small governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – With a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting purposes is difficult. However, we recommend the City continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – The management officials will attempt to read relevant accounting literature and attend professional education courses to improve in the ability to apply accounting principles. However, it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

City of Eddyville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Eddyville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 97.039: Hazard Mitigation Grant**

**Pass-through Agency Number: DR-1928-0004-01**

**Federal Award Year: 2013**

**U.S. Department of Homeland Security**

**Passed through the Iowa Department of Homeland Security and Emergency Management**

III-A-16     Segregation of Duties over Federal Receipts – The City did not properly segregate  
(2016-001) collection, deposit and record keeping for receipts, including those related to federal  
                 programs. See item II-A-16.

III-B-16     Public Improvements – The City did not approve of the plans, specs, and contract of the  
(2016-002) public improvement project. See item IV-I-16.

City of Eddyville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety and the community and economic development functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

In addition, on the amended budget, the City did not budget its beginning cash balance, as the beginning cash balance on the budget amendment was shown at \$0.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. In addition, the beginning cash balance should also be budgeted.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- IV-B-16 Questionable Disbursements - No disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-16 Travel Expense – No disbursements were noted of City money for travel expenses of spouses of City officials or employees.
- IV-D-16 Business Transactions – Business transactions between the City and City officials or employees of the primary government are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Dwight Lobberecht, Council Member Spouse owns Tri-County, Inc.	Construction	\$152,342
Wade Francis, Council Member Owner of Francis Electric	Services	1,675
Alan Houser, City employee Owner of Eddyville Market and Deli	Supplies	171

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the above transactions with Francis Electric and Eddyville Market and Deli do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year. The transactions with Tri-County, Inc. do not appear to represent a conflict of interest since they were entered into via competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa, as \$151,252 of the total payments to Tri County, Inc. were competitively bid.

- IV-E-16 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-16 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Eddyville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

IV-G-16 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-H-16 Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

IV-I-16 Public Improvements – The City did not document that the City approved of the plans, specs and contract of the public improvement project, as required by Chapter 26.12 of the Code of Iowa.

Recommendation – Before entering into a contract for a public improvement with an estimated total cost in excess of \$100,000, the City Council should hold a public hearing and approve of the plans, specs and contract as required by the Code of Iowa.

Response – We will implement this recommendation in the future. The example above was an oversight on our part.

Conclusion – Response acknowledged.